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**<COMPANY NAME>**

***PERFORMANCE MANAGEMENT PROCESS  
HANDBOOK***

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# **SECTION 1: PERFORMANCE MANAGEMENT - AN OVERVIEW**

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## **Introduction**

For <Company Name> to continue its success, outstanding performance is crucial; managing performance is a key step toward meeting this goal. To support this need, the Performance Management Process was designed with the following objectives:

- To emphasize the importance of all employees in managing the performance of their organization.
- To provide employees with a simplified, effective, results-oriented tool.
- To ensure that employees:
  - understand specific accountabilities and what this means to the business
  - receive ongoing feedback on progress and thus the opportunity to improve performance
  - see the results of effective performance by receiving recognition and reward for accomplishments.

The process is based on the premise that both employee and manager reach a common understanding of performance expectations (goals and performance levels determined jointly with the manager) during an annual work planning session or during the initial phase of a new assignment.

## **Manager's Role**

A manager is charged with guiding and motivating employees to achieve maximum effectiveness in line with organization objectives.

Doing a good job of goal setting, coaching and assessing the performance of employees is not easy; it takes time, preparation, careful gathering and analysis of performance-related information, the ability to communicate clearly and the courage to be honest. But performance planning has a lasting impact, and may well be one of the most important responsibilities one has as a manager.

\*Note: For the purpose of this communication, a manager is defined as any employee who supervises another and who is responsible for goal setting and assessing that other employee's performance.

## **Needs Addressed**

The Performance Management Process addresses a number of important needs. It helps fulfill our obligation to let people understand what is expected of them, it lets them know where they stand, it enables managers to reward employees appropriately, it stimulates and recognizes achievement, it helps improve productivity and provides important information for other management processes.

Equally important, the Performance Management Process allows employees to play an integral role in their performance discussions, and in turn, make a valuable contribution to the overall business plan.

## **SECTION 1: PERFORMANCE MANAGEMENT - AN OVERVIEW**

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### **Link with Compensation**

Performance is a key determinant for merit increases. The size of an employee's raise is primarily determined by the results achieved on the job and how they were achieved.

### **Career Advancement**

There can be a connection between performance and career advancement. Since past performance is the best indicator of what an individual can be expected to achieve in the future, his or her performance record should be carefully analyzed and weighed when there is a possibility of promotion or when other developmental opportunities arise.

### **Benefits of the Performance Management Process**

#### **For Managers:**

The Performance Management Process is a means to improve communication and productivity in the department. The increased interaction between employee and manager can result in improved morale and job enrichment and, consequently, better retention of key employees.

Clearly stated performance goals, performance levels and results assist personnel decisions regarding compensation, promotion, transfer or termination.

The employee self-review provides important information to the manager as he/she prepares for the performance review and helps determine whether there are any differences of opinion before the performance review discussion.

#### **For employees:**

It offers employees the opportunity to contribute to the development of performance goals and performance levels which guide their work for the year. Understanding early what needs to be accomplished and frequent feedback as to how they are doing in meeting their performance goals and performance levels can help employees reach their potential. Documenting improvement/development plans for employees offers them an opportunity to discuss their potential for advancement as well as ways they can perform their current jobs better.

The percentage weights assigned to each performance goal identify the importance of the goal and help employees focus on major activities which they had previously identified with their managers.

## ***SECTION 1: PERFORMANCE MANAGEMENT - AN OVERVIEW***

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### **Five Steps of the Performance Management Process**

The Performance Management Process has five steps:

1. Manager/employee performance planning and discussion of goals and performance levels.
2. Ongoing communication/feedback.
3. Performance review preparation by the manager, including the employee's self-review.
4. Performance review meeting between the manager and employee.
5. Completion of the performance review form.

In general, the approach to the five steps will be the same for all employees. The manager is responsible for completing a set of performance goals for each person in the group reporting to them. These should be discussed with each employee to be sure there is complete understanding of what will be expected in the year ahead.

The following sections offer more guidance on various aspects of the five steps and the overall Performance Management Process.

## **SECTION 2: MANAGER/EMPLOYEE PERFORMANCE PLANNING**

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### **Purpose**

To define the employee's major performance goals, specific activities, performance levels and the importance (weight) of each major performance goal and how performance will be measured. The plan serves as the basis for ongoing feedback and annual assessment of results achieved.

### **Key Actions**

A Performance Plan will have been established when you have:

1. Written the major performance goals including human resources management performance goals.
2. Described specific activities (measures) to support each performance goal.
3. Assigned a percentage weight to each performance goal reflecting its importance in terms of overall job responsibilities.
4. Established performance levels for measuring employee performance against the performance goal.
5. Documented performance goals; specific activities, weightings and performance levels on the Performance Plan form.

### **Initial Meeting**

Performance Management begins with a meeting to discuss annual plans and set major performance goals, specific activities, performance levels and percentage weights. This first step offers the employee the opportunity to gain a better understanding of roles and responsibilities.

### **Definitions**

**Major performance goals** define the key elements of a job by describing performance criteria. **Specific activities (measures)** are plans or actions for the current review period which support the performance goals. Both major performance goals and specific activities determine the employee's contribution to the department's approved business plan.

**Performance levels** describe the standards for determining and differentiating how well, how much, when and in what way the goal is to be accomplished.

Performance goals, specific activities (measures), and performance levels are established jointly by the manager and the employee. They serve as the basis for ongoing feedback throughout the planning period and for the final evaluation of results achieved.

## **SECTION 2: MANAGER/EMPLOYEE PERFORMANCE PLANNING**

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### **Determining Major Performance Goals**

First you must discuss with your manager the critical goals for your department as a whole. Talk about each goal separately so that you fully understand its relative importance to your area.

Next, identify the forms or documents at your disposal which are currently being used to evaluate employees within the department. These may include job descriptions, existing performance review forms or work plans that may have been developed.

### **Criteria for Performance Goals**

#### **Performance goals should:**

- Be specific. The goal should define what is to be accomplished in clear, precise language so that it is understood by all.
- Be realistic and attainable, yet provide a reasonable challenge for the employee. The goal should be a valid expectation of future performance in a given time.
- Address results, not activities. Goals should be described performance criteria rather than the means to achieve goals.
- Be measurable. The goal should be capable of being measured quantitatively and/or qualitatively so that both employee and manager can define and understand how the task will be evaluated.
- Contribute to the overall goals of the unit or department.

### **How to Write Performance Goals**

Performance goals describe criteria which an individual employee should reflect upon during the year. They are not summaries of job descriptions. They are results-oriented. When discussing performance goals, both the employee and the manager should consider the accountability associated with the employee's job.

### **Specific Activities (Measures)**

Specific activities (measures) clarify the work to be accomplished. They are plans or actions for the current review period which support the goal and include exceptional situation and contingency demands.

A manager may wish to draft the goals and activities of an employee and then have the employee review and respond to them. Or the manager may wish to have the employee write a draft for the manager's review. There is no set procedure, however, by working together, both the manager and the employee should arrive at a mutual understanding of performance expectations. The manager has the final say regarding the performance goals and measures for each employee.

## **SECTION 2: MANAGER/EMPLOYEE PERFORMANCE PLANNING**

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### **The Need for Performance Goals**

Performance goals and specific activities by themselves merely state what is to be done without reference to the standard against which performance is to be evaluated. Performance levels reflect the **requirements for performance** and can be based on one or a combination of the following:

1. Timeliness
  - What is the due date?
  - What is a reasonable amount of time for a task like this?
  - How many of these tasks should be done during a set period?
  - How often will this task need to be done?
2. Quantity
  - How many will be needed?
  - How many can one reasonably be expected to do?
3. Cost Effectiveness
  - Does one need to manage a budget?
  - What is the fixed expenses or should there be a range?
  - Does this require expense reduction?
4. Impact on Organization
  - How is the task intended to improve the relationship with customers?
  - How is it intended to increase the visibility of our organization?
  - How will it substantially reduce expenses?
  - How will it affect the performance of another area in the organization?
5. Accuracy
  - Is there room for error?
  - What is the allowable margin of error?
6. Completeness
  - What reports and exhibits are necessary?
  - What items need to be included?
  - What are the appropriate resources to be explored?
7. Quality
  - Who will evaluate the quality?
  - What does quality mean in the context?
  - Are there standards with the industry?

## **SECTION 2: MANAGER/EMPLOYEE PERFORMANCE PLANNING**

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A performance level helps answer the question, “What is a good job? How do I know I am or am not doing a job well enough?” It eliminates the confusion of what is expected for proficient performance.

Performance levels should be developed at the same time as major performance goals, specific activities and percentage weights.

It is the manager’s final responsibility to establish performance levels, but involving the employee in the process can have a positive impact on performance.

### **How Performance Levels Are Established**

At the beginning of the Performance Management Process cycle, the manager should define the sources to be used in planning and for measuring performance. These can include profit/loss statements, personnel utilization reports, client feedback or managerial judgment. In the case of client feedback, the manager and the employee should agree upon who will be contacted, although the manager has the final say.

While production-based goals have performance levels built in, qualitative and/or quantitative standards should be developed for other performance levels.

Quality standards are often difficult to measure and define. They may include measuring how well an employee interacted with others, or assessing what behaviors are necessary to perform the job. The standards may be based on managerial judgment or client feedback.

The same standards should be used for all employees who have similar performance goals.

### **Setting Performance Levels That Are Specific and Measurable**

Each performance goal should be as specific and as measurable as possible. However, not all performance goals lend themselves easily to measurement. It’s reasonable to expect an employee to be cooperative, but it’s difficult to set up levels of “cooperation” as an objective. How much is reasonable? Where quality and quantity are not precisely measurable, the manager should use judgment, based on solicited and unsolicited feedback. This should be stated in the performance level.

When performance levels are established, keep in mind how performance will be actually measured. Don’t become bogged down in recordkeeping--that will only hinder getting the real work done.

## **SECTION 2: MANAGER/EMPLOYEE PERFORMANCE PLANNING**

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### **Criteria for Performance Levels**

Performance levels should:

- Be developed for each performance goal;
- Indicate what is to be achieved to be rated “strong” (outstanding);
- Not be described with words like “satisfactory,” “efficiently” or “effectively” since these terms are relative;
- Be achievable

### **Percentage Weights: Why Needed**

Some activities in an employee’s job are more important to the overall departmental plan than others. To recognize these differences and to help emphasize to employees what is important, percentage weights are assigned to each major performance goal. A percentage weight will indicate the relative importance of a performance goal to the employee’s job, not necessarily the amount of time to be devoted to the task.

### **How to Establish Weights**

A percentage weight can be established by assessing the priority of the performance goal and determining the total impact it will have on the overall business plan of the department. Percentage weights should be mutually agreed upon by the manager and the employee. If there is a difference of opinion, the manager will make the final determination, based on greater knowledge of the department’s goals.

In establishing percentages, consider:

- How crucial is the attainment of this goal as compared to other goals of this employee?
- How crucial is it to the goals of the overall department?
- What are the scope and magnitude of the projected results on business goals?

### **Minimum and Maximum Percentages**

The minimum percentage weight should be 5%; the maximum is dependent upon the scope of the job. All percentage weights should total 100%. For the Human Resources Management major performance goal the weighting should be at least 10%; it can be as high as 30-35% to reflect job responsibilities and/or specific organizational Human Resources Management issues.

## **SECTION 2: MANAGER/EMPLOYEE PERFORMANCE PLANNING**

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### **Putting It Together**

After you have established performance goals, performance levels and percentage weights, document them on the Performance Plan form. The manager and the employee should review the form once again to be sure that the employee understands exactly what will be expected of him/her in the upcoming Performance Planning cycle.

A copy of the final form should be given to the employee so he/she can refer to it throughout the year. The manager's copy should be kept in the employee's personnel file so that it will be readily available for review at the feedback meetings that will take place at periodic intervals throughout the cycle.

### **Changing Major Performance Goals, Levels, Percentage Weights**

Major performance goals (and performance plans) can and should be changed during the year if business goals for the year change, or if an employee changes responsibilities or positions during the year. If these changes occur, the performance plans need to be combined at year-end to determine an overall rating.

Making changes in performance levels and percentage weights is acceptable if the changes are communicated and understood by the employee. The changes may be necessary to accommodate new performance goals or new procedures or processes in the unit which affect the employees' job priorities.

## **SECTION 3: A GUIDE TO SUCCESSFUL GOAL SETTING**

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### **Purpose of Goal Setting**

**Here are ten reasons why people should manage their activities, including their career, by objectives:**

1. People are purposeful beings and live to attain goals. They set and create goals both on their own and on suggestion from others. All behavior is purposeful, and thus management by objectives (MBO) is easily related to instinctual as well as learned and acquired behavior.
2. Organizations have a tendency to disperse this purposefulness. By the mechanics of the division of labor which produces efficiency through organization, people can get caught in an activity trap. This takes over when people become so enmeshed in activity they lose sight of the reasons for the activity which becomes an end in itself. Caught in an activity trap the work takes control and the goals get lost unless we systematically keep pulling ourselves and our employees back to goals and objectives by asking again and again: "What are we in business for? What are the purposes of this organization? What services are we trying to produce? Who is our client? Why is this work and this expenditure necessary? What will the outcome be if we succeed (or fail?)"
3. People caught in an activity trap shrink rather than grow as human beings. When people get enmeshed in activity instead of focusing upon objectives their effectiveness (the attainment of goals) diminishes to the extent that they are unclear on where they are going. Hard work that produces failure yields apathy, inertia and lost self-esteem. The growth of self-esteem comes from setting good objectives and then attaining many of them. People become instrumental, demeaned and diminished as humans when their work proves later to have been largely (or even partially) without meaning...without a goal.
4. Managers and employees in organizations lose sight of employee goals. Left to their own devices the average manager and employee, busy at activity, will fail to agree on what the employee's responsibilities are on his or her job for the coming year. This disparity tends to reach a level of some thirty percent. This means that thirty percent of employee activity has no yield on what the manager wants or the organization can use. The employee works hard rather than productively. Goals are needed.
5. Agreement and understanding of what is expected is a characteristic of the best run organizations. People often don't know what is expected of them in less well run organizations.
6. Failure can consist of failing to achieve goals, or it can consist of never knowing what the goals were. In either event the tragedy is both economic (the company or organization loses out in the market place or in the competition for operating funds) and humanistic (people who work in a failing organization are diminished. Unclear objectives produce more failures than incompetence, malfeasance, misfeasance, or bad luck combined.
7. Performance improves when people know what their goals are. The best motivator is information. ("Here is what is expected of you in your work in specific terms of outputs for a specific period of time.") When people learn this valuable information they change their behavior, grow the skills needed to attain the goals to which they are committed, and adapt themselves to change without consciously thinking about it as change. In retrospect they recognize that they have grown.

## **SECTION 3: A GUIDE TO SUCCESSFUL GOAL SETTING**

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### **Purpose of Goal Setting (Continued)**

8. Ethical behavior is surrounded by goal attainment. The business that has lost sight of its goals is likely to go broke. A failing organization is more likely to cut corners or to cheat its suppliers, customers and employees than is an organization that is doing well. The more the organization is worth the more worthy it becomes.
9. Most organizational units succeed or fail according to the clarity of overall goals of the organization. Without clear goals in the hands of all employees and managers, the organization cannot operate a decent merit system of rewards in wages and benefits, dispense its budget resources sensibly and effectively, or plan its future.
10. Goal setting is sufficiently vital that it becomes a necessary if not sufficient condition for management to occur at all. Management by objectives isn't an addition to a manager's job, but is a way of doing the job.

The question of how to set goals remains. "I'm persuaded by the logic and rationality of it all, but I see many detailed skill problems in defining goals in my situation," the typical manager says. "Are there some guidelines for goal setting?" The following are such guidelines.

### **Guidelines for Goal Setting**

**A goal should be a statement of an output.** This means that the goals should represent the final consequence of an activity, not merely the activity. It is acceptable to state that a goal will be "2 reports," but not to state that "we will improve performance." The former is an output; the latter is a hoped-for kind of activity that is too vague to be useful.

**Objectives should be explicit.** The output that is defined for a goal should be so explicit that later on when people are trying to agree on whether or not it was actually achieved they can find easy agreement.

**Make objectives of ascending difficulty.** Define first those goals that deal with the regular and ordinary things which have been done in the past. These are the easiest to define and the easiest to achieve. In such cases there is information to back up the choice of the numbers. They turn to the problems that need solving for which there may or may not be experience to use in determining the solution date. Finally, the highest and most difficult level of goals are those that are innovative in nature. Because innovative goals break new ground and create new situations they aren't as easily defined in numbers, and they are harder to evaluate when they are achieved. Yet it is the innovative things that do the most for the organization's growth.

**Always examine the past fully before defining future goals and objectives.** The best kind of goal is one that starts with a thorough look at the results from the past weeks, months, and years. This information becomes a foundation for defining ordinary and reasonable levels, barring any unforeseen changes or events. This doesn't necessarily mean that you must accept the past as being the determinant of the future. But if you know where you are and how you got there you can see some trends. Then if you want to change the outcomes of the future you must include plans for change in your objectives.

## **SECTION 3: A GUIDE TO SUCCESSFUL GOAL SETTING**

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### **Guidelines for Goal Setting (Continued)**

**Goals and objectives should always be set face-to-face in discussion and not by memorandum and letters alone.** Goal setting discussions often involve bargaining, resolving disagreements and getting commitments to change one's behavior. None of these can be done by correspondence, but require face-to-face discussion. The time spent in dialogue, giving and taking, will be a well spent, high yield use of a manager's and employee's time.

**Goals start at the top of the organization.** Top management of the organization must define corporate or overall organizational purposes for the rest of the employees to help them achieve those goals. Thus, the corporate officers and top management must be the first members of the team to define their goals before other people define theirs. The purposes of the organization flow down; methods for achieving those purposes should flow up.

**Summaries of statements of operating objectives should be brief enough to be filed on no more than two pieces of paper.** By disciplining oneself to write goal statements that describe outputs instead of activities, terse summaries can be prepared for most jobs within the two-page. If the summary gets longer, the paper itself will cause the entire system to meet silent and perhaps vocal opposition. The idea isn't to write down everything you are going to do, but what you are going to produce.

**Many objectives are hard to attain.** This means that every set of goals, even when defined by the most experienced goal setter, includes some objectives which won't be achieved, either due to unforeseen circumstances or because people weren't rigorous enough in the up-front process of choosing objectives. This doesn't mean that the process was worthless, but rather that goal setting is hard to do.

**A mistake in objectives will produce a mistake in activity.** The effects of choosing the wrong goal, or stating it improperly, will produce a matching chain of behavior and activity which naturally follows. If the organization is seriously concerned about making management by objectives (MBO) work for the benefit of the organization, it can't be treated as a mere bureaucratic exercise, for attention to activity will follow goals at the same high level of excellence. Bad goals produce bad activity; good goals produce good activity.

**You can induce good goals and objectives from overall organizational performances.** A high overall level of organization profits is sometimes produced by people who merely do their own thing very well without a single superstar in the roster. Goals that are achieved at the expense of other people achieving theirs are sometimes found in low performing organizations. Goals should include the number of assists, the number of managers promoted out of the unit, the building of overall strength, and long run effectiveness, not merely one year or periodic bursts of excellence.

**Other things being the same, try participative goal setting first.** The expectations of managers and professionals these days seem to be that they will be invited to participate in goal setting. So let them participate unless you have a reason to think they will withhold effort. In those rare cases where you suspect some serious foot dragging, don't be deterred from imposing goals. This won't occur frequently enough to cause trouble if you stick to the general guidelines.

## **SECTION 3: A GUIDE TO SUCCESSFUL GOAL SETTING**

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### **Guidelines for Goal Setting (Continued)**

**Make sure that everyone has measurable goals, even if they are arbitrarily set. But also be prepared to adjust the goal to keep it realistic.** If goals are arbitrarily chosen but ambitious, it will still produce better results than having no goals at all. If the goals prove to have been grossly inaccurate, however, they should be amended based upon the first experience.

**Side effects cannot always be predicted with full detail.** Those goals that identify organizationally controlled factors are easier to set than those that require predictions of unforeseen side effects. You can manage by anticipation more than you thought possible if you try, but there will always be the surprise outcomes--sometimes good, sometimes bad. Expect a little of the unexpected.

**Imaginary side effects shouldn't be allowed to stop goal setting.** If you have an employee who says he or she won't make any commitments because some unusual event may occur during the year, you should respond as follows: "Assume that the ordinary things will occur, but don't let your imagination run wild on obstacles which may or may not appear. Rely on ordinary conditions continuing to exist unless you have hard evidence that something radically different is a clear and present danger."

**Goal and objective setting gets better the more often it is done.** Experience is a pretty good teacher. The best of all worlds is to have a scientific and rational forecast from an experienced scientific forecaster. But when the chips are down and you must choose, rely upon the experienced person. The experienced goal setter's methods may be intuitive, but beneath the apparent fuzziness of system is a hard discipline called experience.

**The environment and the cultural setting are important elements of goal setting.** Goal setting is always done within a context, and the context should be included as part of the rationale for a goal. If overhead didn't exist production goals and costs might be lower, but overhead does exist and must be included in calculations. This means that goals are reality-based. The context must be acknowledged, related to, and, if possible, acted upon in goal setting.

**Low confidence means low goals and objectives; high confidence translates into challenging goals and objectives.** Many people who are experienced with management by objectives state that they've observed that less confident managers and employees will set easily achievable goals while the more self-reliant, assertive and confident managers and employees will set higher goals.

**Any legitimate client demand must become somebody's goal.** The demand for service by a client, either inside or outside the organization, should be firmly fixed in somebody's goals. If such a demand should be left hanging and nobody is committed to it, then the organizational goal setting system needs some tightening up. The reverse of this is that every goal should relate to producing something that somebody else wants, not just the person stating it.

**The goal setter is an important part of the quality of the goal.** A good goal is often good because it is set by a proven performer, and a bad goal--however lofty in wording or ambitious in numbers and intent--is often bad because it is set by an irresponsible performer, or one who is not committed to the organization's purposes.

Remember that goal setting is a forward looking process and the major emphasis should be on doing better.

## **SECTION 4: ONGOING COMMUNICATION**

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### **Purpose**

To maximize the productivity of employees as they work toward achieving organizational goals and objectives, the manager need to provide ongoing guidance to employees, reaffirm and recognize changes in priorities, eliminate confusion, recognize good performance, and deal with poor performance. This step (ongoing communication) allows managers to motivate and manage employee performance toward clearly established and desired results.

### **Key Actions**

Managers will have provided ongoing feedback and periodic performance reviews when they have:

1. Selected appropriate opportunities to provide feedback to the employee on his/her work.
2. Communicated effectively with the employee about his/her performance.
3. Assured that the employee understands the importance of good attendance and the policies covering time off in the work unit.
4. Conducted an interim performance review meeting **at least once** during the performance year.

### **Manager's Responsibility**

The Performance Management Process calls for ongoing communication throughout the year. This consists of:

- Day-to-day feedback.
- Coaching.
- Interim progress reviews.

The manager is responsible for meeting with employees within the unit individually throughout the year to discuss results achieved to date, corrective actions that may need to be taken, changes to business plans or objectives, etc.

The manager is also responsible for being sure that employees understand the importance of good attendance and the policies covering time off in the work unit. They need to know that their overall rating may be affected by excessive tardiness or absence.

Ongoing feedback minimizes the chances for surprise or confusion during the annual performance review discussion. This is true even for good performers since the manager may be missing the chance to recognize the accomplishments of employees and motivate them further. It allows poor performers the chance to adjust their work methods to improve performance well in advance of the formal performance review.

## **SECTION 4: ONGOING COMMUNICATION**

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### **Day-to-day Feedback**

Day-to-day feedback is unplanned and spontaneous, but can be helpful to the employee in assessing his/her progress. Such feedback may range from brief comments to slightly more detailed evaluations.

Although it is casual, most employees want and take this type of feedback seriously. Don't underestimate its importance.

### **Coaching**

Coaching, or counseling, is a more formal type of feedback. It occurs immediately after some aspect of performance has taken place, and includes a methodical analysis of the way a specific task was performed. It should not be done only when a task was done poorly, although that is typically what happens. It should be done when a task was done well, to help the employee identify why there was success and how to repeat it.

### **Interim Progress Reviews**

Periodic informal and formal progress reviews help to direct individual performance, reaffirm priorities and resources. Between annual performance reviews, a manager should conduct interim reviews to insure that the employee is receiving formal feedback on results achieved as measured against the Performance Plan. The frequency of reviews is up to the manager.

Generally, these reviews take place at three or four-month intervals, but there should be at least one during the year, preferably at the six-month mark for those following a business plan, or approximately six months before the next annual performance review meeting. The manager may want to hold more frequent reviews, depending upon individual circumstances.

Interim reviews apply only to a discussion of performance occurring since the last review. The annual review considers overall performance for the entire evaluation period.

### **Adjustments To Plan**

A change in priorities can occur at any point throughout the year. Ongoing discussions provide the opportunity to revise plans in line with new or revised department objectives. Employees should be asked to provide updates on the status of their work, including obstacles or problems which may be hindering their accomplishments and which may warrant considering plan revisions.

## **SECTION 4: ONGOING COMMUNICATION**

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### **Unsatisfactory Performance**

Dealing with unsatisfactory performance is never pleasant, but if a manager doesn't address it in a timely way, the situation may become harder for the manager and the employee. Determination of poor performance does not have a fixed beginning, but the manager does reach a point at which one clearly knows that the employee's performance is not meeting standards. The manager should not wait until the annual performance review to address the issue; if the manager has to give unsatisfactory rating at that time, it should not be a surprise to the employee. One purpose of the interim reviews is to identify marginal or unsatisfactory performance so that there is a chance for the employee to improve before the annual performance review.

Before the manager discusses unsatisfactory performance with the employee, the manager should assemble all the information available on the employee's specific skills and activities. The manager should review what the employee has achieved, and where the employee has been deficient. The manager should use input from as many relevant sources as possible.

The first step in dealing with marginal or unsatisfactory employee performance usually is for the manager to counsel the employee and then to develop a performance improvement program. The manager and the employee should discuss the areas where there are shortcomings and determine action plans for making improvements.

To construct the plan, the manager should:

- State specific objectives. What are the expected results? Why are they important? What is the present status?
- Identify the course of action. What is the recommended approach? What are the alternative possibilities? What is the timetable?
- Determine the indicators of desired results. What areas will be measured? How does one tell that the desired end results are being achieved?
- Develop a plan for providing the employee with the skills and/or resources needed to obtain improvements. Define the manager's role in supporting the achievement of the desired results.
- Establish a schedule for frequent follow-up discussions. Build in regular formal and informal checkpoints. Documentation should be kept by the manager and the employee.

If performance continues to fall below standards, the next step is a probation period. If poor performance continues during the probation period, final options are either reassignment to a different, perhaps lower level job, or termination.

Managers should be sure to involve a Personnel representative early and regularly from the time the problem is first identified until resolution. The manager will need guidance before placing the employee on probation.

## **SECTION 5: PREPARING FOR THE PERFORMANCE REVIEW**

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### **Purpose**

To aid the manager in planning for the performance review meeting by identifying specific areas to be discussed, and to allow the employee to present observations and evaluation of his/her own performance.

### **Key Actions**

The manager will have prepared for the performance review meeting when the manager has:

1. Encouraged the employee to participate in the performance review by preparing for the discussion and/or completing a self-appraisal.
2. Obtained feedback from others who have frequent job-related contact with the employee.
3. Matched the employee's performance results against major performance goals and performance levels.
4. Reviewed the employee's view of his/her performance from the Performance Review form, or in other ways if the form was not used.
5. Prepared an initial draft of the performance review and reviewed it with the next higher level of management.

### **Overview**

At the end of the evaluation period, the manager should meet with each employee and conduct a formal, candid review of the person's performance.

Effective performance review discussions take time. The manager needs to prepare for them carefully.

Performance takes two things into consideration:

- The **results** people get on the job. The expected **results** people may accomplish on the job have been defined as performance goals and levels in Section 2 of this booklet. During the performance review process, the record of this accomplishment is documented in Part I **Performance Goals** of the Performance Review form.
- The **actions** that produced those results. The **actions** which employees exhibit in accomplishing goals and objectives are documented in Part II **Performance Factors** of the Performance Review form.

Effective performance reviews focus on job-related behavior, which can be either active or passive; do-something or do-nothing behavior. Managers should be careful not to bring in items that are irrelevant. For instance, people show many personal traits on the job that do not influence results. A discussion of such traits does not belong in the performance review.

## **SECTION 5: PREPARING FOR THE PERFORMANCE REVIEW**

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### **The Self-Review**

It is important that employees have the opportunity to express their assessment of performance as part of the overall process. This is accomplished through the employee's self-review and during the performance discussion.

Normally, employees should be given a copy of the employee performance review form 30 days before the performance review meeting date and return it completed to their manager in approximately 15 days so that the manager can use it in preparation for his/her own methods of work and results achieved by identifying and commenting on factors affecting achievement of results, such as examples of creative problem solving, responsiveness to clients' needs, leadership in adopting a new method of operation, etc.

Managers need to encourage employees to be full participants in the performance review process. This can be accomplished by:

- Giving advance notice to employees of the planned discussion date and the references to be used, e.g. attendance records, if appropriate.
- Sharing a preliminary draft of the performance review prior to the discussion.
- Suggesting that employees also complete a self-review, if desired.

### **The Manager's Preparation**

There are numerous documents which can assist managers in evaluating an employee's performance: business reports, project budget reports, task budget reports, service order reports, employee utilization reports, project status reports, accumulated audits of productivity, quality and timeliness, input from others who interact with the employee and the self-review, if used. When this information is collected, the manager should evaluate each performance goal in relation to these results. The manager should take into consideration circumstances that may have helped (e.g., special effort, extra hours) or hindered (e.g., unsatisfactory attendance or events beyond the employee's control) the employee's ability to achieve a given objective.

Also the manager should consider the amount of improvement the employee has exhibited for the year by referring to any documentation of the interim review meetings that the manager and employee may have had.

### **Feedback From Others**

One way for managers to support their judgment of performance is to obtain feedback from appropriate sources either inside or outside the department. This can serve as part of the evaluation. The final rating is the manager's decision, but it can be helpful to have objective input from other sources about the employee's performance, focus on results, and describe the quality of the work done. The key is for managers to talk with people who have regular, job-related contact with the employee.

When obtaining feedback about an employee, managers should not discuss their views of the employee's performance with the source of feedback-especially if the manager believes the employee's performance is less than fully satisfactory.

## **SECTION 5: PREPARING FOR THE PERFORMANCE REVIEW**

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### **Review of Results**

For each major performance goal, the manager should review results to determine if they were met, went significantly beyond or fell short of performance plan expectations. Managers should consider the skills that were demonstrated and obstacles that had to be overcome. If the employee had a business plan, the manager should review the employee's achievements in light of specific plan commitments.

Some of the questions the manager should ask oneself in reviewing how the employee achieved the results include:

- Did the employee identify and resolve the problem?
- If the employee managed other employees, did the employee create a positive, demanding climate and use staff effectively?
- Were there external events or conditions that had a substantial impact on results?
- What did the employee do particularly well that contributed to the unit's overall performance?
- Was the employee responsible for innovations?

### **Additional Comments – Improvement/Development Plans**

During this preparation period, the manager should begin to document some specific plans in the current job for the employee so that the manager can discuss them during the performance review meeting. The improvement/development plans can include:

- Areas of improvement to help the employee meet a desired level of performance;
- Additional job responsibilities to challenge different skills and abilities;
- Exposure to subject areas or new procedures that can expand the employee's knowledge in his/her present assignment;
- Individual career development needs or promotional readiness, if appropriate.
- The improvement development plans may be written in Part III **Career Plan** or in the **Additional Comments** section of the Performance Review form.

### **Review With Management**

It is important that upper management agree with the completed performance review before the manager puts it in final form-and certainly before the manager communicates it to the employee as final. Managers should not risk having an embarrassing or difficult employee relations situation because their manager is unable or unwilling to support their decisions due to inadequate communication between management levels.

## **SECTION 6: THE PERFORMANCE REVIEW DISCUSSION**

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### **Purpose**

To jointly review and discuss results achieved in relation to performance goals and performance levels. The manager should use this opportunity to let employees know where they stand, what they need to do to meet future objectives and to motivate them toward achieving goals established for the coming year.

### **Key Actions**

Managers will have successfully held the performance review meeting when they have:

1. Obtained the employee's self-review of his/her overall performance since the last performance review.
2. Recognized results achieved since the last performance review meeting.
3. Specified one or two areas where performance should be improved, then asked for confirmation and suggestions for improvement from the employee.
4. Summarized overall performance to place the entire performance review in perspective.
5. Ended the discussion on an encouraging note.

### **Conducting the Formal Performance Review**

The performance review discussion includes several components:

- Review of supporting documents and evaluation of results achieved in relation to the performance plan.
- A discussion regarding the effectiveness of methods used and how the employee might improve.
- Development of additional comments relative to improvement opportunities.

A manager's own management style will dictate what one does during the discussion, but it may be helpful for the manager to look at the following model to be sure important elements are not overlooked.

## **SECTION 6: THE PERFORMANCE REVIEW DISCUSSION**

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### **Discussion Model**

#### **1. Scheduling the Discussion**

When the manager notifies the employee of the date and time, the manager should invite the employee to think about not only the results of the past year but also about what the employee would like to achieve in the coming year. The manager should make it clear as to the kind of preparation (such as completing a self-review) that is expected from the employee for the meeting.

#### **2. Opening the Discussion**

Before the meeting takes place, the manager should plan how the discussion will be handled.

One way of ensuring two-way communications is for the manager to give the initiative to the employee early in the discussion by asking questions such as "How do you feel things are going on the job?" or "How well did the past year live up to your expectation?" If the manager dominates the discussion at the start, there is the danger that it may never become an effective dialogue.

However, if the manager expects that the employee is going to have a very different view from the manager's, (and this may be apparent if the employee completed a self-review), the manager may want to talk first and then let the employee respond.

#### **3. The Manager's View**

When the manager gives his/her evaluation, the manager should begin with an overview of the employee's performance, point out significant accomplishments, and reinforce them, if possible, with specific positive feedback from others. This is the manager's chance to let the employee know that the manager is fully aware of the good work being done.

The manager should try to balance the discussion between those results which were effective and those that left something to be desired. When the manager covers areas needing improvement, they should be discussed carefully with examples of performance deficiencies-not generalizations. The manager's aim should be to reach an understanding of why there were shortfalls and what can be done to prevent them in the future. If the manager is dealing with a marginal or unsatisfactory performer, the approach will be different. (See Section 4)

#### **4. Ending the Meeting**

The manager should close the discussion on a positive and encouraging note. The manager should be sure the employee understands what remains to be done to complete the performance review and when it will occur. For example, telling the employee when it will be in final form for review by the employee. Although the manager will want the employee to agree with the performance review, that doesn't always happen. The employee has the option of writing comments on the form which agree or disagree with the performance review.

## **SECTION 6: THE PERFORMANCE REVIEW DISCUSSION**

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### **Focus on Performance, Not Ratings**

Because this meeting is meant to focus on the performance discussion, the manager needs to consider whether ratings should be communicated at this time. The manager may want to simply openly discuss their perception of the employee's results achieved and actively listen to his/her input. The manager should encourage the employee to clarify points made in the self-review and to add comments on the methods used to achieve objectives.

### **Development of Additional Comments – Improvement Opportunities Plan**

At the conclusion of the performance review discussion, the manager and the employee should identify appropriate activities which will contribute to more effective performance. Usually there will be opportunity for improvement in the current job regardless of the performance rating.

This step indicates discussion of additional comments relative to improvement opportunities which may encompass a wide range of activities and assignments built into the course of ongoing work (e.g., task force assignments, more frequent review of work plan status, additional coaching, expanding the scope of responsibilities).

The manager should limit the additional comments for improvement opportunities to one or two. If there are more, the employee may feel the manager is being more critical than supportive and will become defensive. The employee should share in deciding what areas need improvement, and what could or should be done. The discussion should be a joint venture.

The plan identifies performance problems early and establishes corrective actions. This will assist the employee in taking responsibility for improving his/her performance and career opportunities.

A discussion of the employee's career aspirations, development needs/plans and promotional readiness may be included when the discussion is documented.

## **SECTION 6: THE PERFORMANCE REVIEW DISCUSSION**

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### **Checklist**

Here are some key points for managers and employees to remember when planning and conducting a performance review meeting.

- The manager and employee should be sure to set aside sufficient, uninterrupted time to hold the performance review meeting. The manager and employee may wish to conduct the meeting in a conference room or some other neutral setting so that the employee is at ease.
- The manager should encourage the employee to participate actively by setting a tone which is conducive to good interaction and constructive discussion.
- The manager and employee should go through the performance goals one at a time and review the results achieved for each one. The manager should ask the employee to summarize his/her major contribution for each goal and to discuss the methods used to achieve them.
- The manager and employee should outline the areas for employee improvement and development clearly. In addition, employees should have an opportunity to discuss their aspirations for professional growth.
- The manager and employee should end the meeting by summarizing the major points that were made and setting a date for the performance review meeting when the ratings will be finalized and the signing of the Performance Review form will occur.

## **SECTION 7: COMPLETING THE PERFORMANCE REVIEW FORM**

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### **Purpose**

To document the manager's evaluation of the employee's performance. This documentation will be the basis for decisions related to compensation, training, career development, promotion, transfer or termination.

### **Key Actions**

A manager will have successfully completed the Employee Performance Review form when the manager has:

1. Assigned ratings to each of the performance goals based on the manager's assessment of the levels achieved and the input received from the employee and others on Parts I and II of the Performance Review form.
2. Documented recommendations for improvement and development on Part III **Career Plan** or on the **Additional Comments** section of the Performance Review form.
3. Determined, using attendance guidelines of the department and managerial judgment, whether attendance affected overall performance.
4. Met with the employee to communicate the final ratings and the overall rating.
5. Signed the form, obtained the employee's signature and sent it to the next level of management for review and signature.

### **Supporting Statements**

A supporting statement is to be written by the manager for each major performance goal. It should:

- Be specific, factual, results-oriented and clearly indicate the rationale for the rating given;
- State performance levels achieved (both positive and negative) versus what was expected;
- Cite client or other feedback, if appropriate;
- Comment on items such as meeting due dates, impact of result, etc.

### **Assigning Ratings**

The manager has the final decision as to the rating of each performance goal and the overall rating. The manager should assign a rating based on performance levels achieved, effectiveness of methods used, and impact or benefits of results. The overall rating requires careful consideration of the weight of each major performance goal.

## **SECTION 7: COMPLETING THE PERFORMANCE REVIEW FORM**

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### **Definition of the Ratings**

The following is a description of the rating categories that the manager will use to evaluate each job objective:

- **Outstanding:** Achievement of all major job objectives; far exceeds performance levels on a consistent basis. (Rating = 5)

Performance is consistently characterized by exceptionally high quality work. Contributions to the department are repeatedly far above requirements of the position. An outstanding performer aggressively seeks out additional responsibility, optimizes use of resources, requires little or no direction; always dependable. Usual or complex problems are handled well.

- **Commendable:** Achievement of all major performance goals; generally accomplishes performance levels. (Rating = 4)

Performance is marked by high quality. A commendable performer regularly makes valuable contributions to the department; contributes more than required share and takes initiative beyond assigned responsibility; uses resources effectively, regularly approaches work in terms of efficiency and effectiveness. Unusual or complex problems are properly considered and generally well handled; requires direction but minimal day-to-day supervision.

- **Competent:** Achievement of major job objectives; fully meets performance levels. (Rating = 3)

Performance results meet the requirements of the position. Responsibilities are handled competently. A competent performer meets the requirements of the position in a fully satisfactory manner; results indicate concern for efficiency and effectiveness. Requires moderate day-to-day supervision.

- **Adequate:** Partially meets performance goals; does not consistently meet performance levels. (Rating = 2)

Does not consistently meet full requirements of the position. An adequate performer could make more efficient use of resources; requires day-to-day supervision. Results sometimes display a need for greater motivation or effectiveness. Employees in this category may possess the ability to earn a higher rating if training or counseling are given, or if assigned responsibilities more suited to their abilities or skills.

- **Marginal:** Fails to achieve the majority of major performance goals; clearly deficient in meeting most performance levels. (Rating = 1)

Does not meet requirements of the position. Employees in this category does not (in manager's judgment) achieve a higher rating either because of lack of ability or other serious reasons.

## **SECTION 7: COMPLETING THE PERFORMANCE REVIEW FORM**

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### **Overall Rating**

To assign the overall rating, the manager is to consider the percentage weights that were assigned to each performance goal in the beginning of the Performance Management Process cycle and the rating for each performance goal, as well as any circumstances that may have helped or hindered the employee's achievements during the year.

Unsatisfactory attendance may or may not affect performance on the job. The manager needs to consider whether attendance has affected the employee's overall performance and include this judgment factor in determining the overall rating.

### **Additional Comments – Improvement Opportunities**

In the section identified as "Additional Comments," the focus should be on what the employee needs to do in the current job to improve his/her performance. The manager should document the recommendations that were agreed upon the employee during the performance review meeting. This may include opportunities for increased effectiveness in the employee's current position, development opportunities and/or potential for transfer or promotion. The needs should be specific and action steps should be identified.

### **Career Plan**

In Part III of the Performance Review form, the manager and employee are to summarize a Self-Development Plan by discussing the employee's career goals and the strengths which will enable those goals to be met. The employee's participation in <Company Name>'s Career Development Program will facilitate the employee's completion of Part III and accomplishment of the employee's self-development plan.

### **Reviewing the Form with the Employee**

The manager is to meet with the employee to review the final ratings for each performance goal and the overall rating that was assigned. The manager should go over the remainder of the form so that the employee has the opportunity to review the Additional Comments sections. Since there should be no surprises at this point in the process, this meeting can be relatively brief. The manager should ask the employee to enter any comments he/she wishes to make in the Supervisor/Employee Additional comments section and to sign the form at the bottom.

**The manager is to explain to employees that the employee's signature confirms only that they have read the performance review; it does not signify agreement or disagreement with its contents.**

### **Final Steps**

Once the manager has also signed the form, it is sent to the next level of management for review and signature. The original Performance Review form and a copy of the Performance Plan should be sent to the Personnel department for the employee's personnel file.

## ***SECTION 8: PERFORMANCE MANAGEMENT PROCESS CHECKLIST***

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### **Clarifying Expectations**

To effectively implement the <Company Name> Performance Management Process, managers and employees should:

- Establish complete understanding about performance expectations and how performance levels will be measured.
- Communicate regularly about performance and provide time to allow for corrective action.

### **Arriving at the Evaluation**

- Keep good records on employee performance.
- Get help for difficult situations from appropriate resources during the course of the year.
- Give a properly balanced evaluation and self-review rather than emphasizing recent performance.
- Collect relevant input from others and use judgment in evaluating overall results.
- Review the rating with upper management before the performance review discussion with the employee.

### **Conducting the Discussion**

- Structure the discussion to contain enough detail and allow enough time for a thorough discussion.
- Tell the employee the rationale for the evaluation and the “why” of the rating for each major performance goal.
- Build in the employee’s strengths in developing solutions to performance problems.
- Communicate fully and candidly.
- Listen positively. Pursue new information or suggestions offered by the manager or employee.
- Close with a summary that leaves the manager and employee with a clear understanding of where each one stands, what needs to be done to meet objectives, and how and when the manager will assist in the process.

## ***SECTION 8: PERFORMANCE MANAGEMENT PROCESS CHECKLIST***

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### **Documenting the Performance Review**

- Address each major performance goal according to specific results and how the results were achieved.
- Support the bottom line rating in writing.
- Summarize overall performance, including strengths and opportunities for improvement.

### **Following Up**

- Reinforce the positive effect of the discussion through ongoing contact on the job.
- Support self-development as outlined in the improvement plan.
- Conduct interim performance reviews according to the schedule recommended by your business or functional unit.